Consolidated Financial Statements of

BRITISH COLUMBIA CANCER AGENCY BRANCH

Year ended March 31, 2016

pwc

June 29, 2016

Independent Auditor's Report

To the Board of
British Columbia Cancer Agency Branch

We have audited the accompanying consolidated financial statements of British Columbia Cancer Agency Branch, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations and accumulated operating deficit, changes in net debt, cash flows and remeasurement gains and losses for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting requirements of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the consolidated financial statements which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations and accumulated operating deficit, changes in net debt, cash flows and remeasurement gains and losses for the year then ended, and the related notes, are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of matter
Without modifying our opinion, we draw attention to note 1 to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 18 to the consolidated financial statements discloses the impact of these differences.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

BRITISH COLUMBIA CANCER AGENCY BRANCH

Consolidated Statement of Financial Position
(Amounts expressed in thousands of dollars)

As at March 31, 2016

	2016	2015
Financial assets		
Cash and cash equivalents	$ 1,896	$ 1,936
Portfolio investments (note 2)	1,095	2,090
Accounts receivable (note 3)	100,680	98,883
	103,671	102,909
Liabilities		
Accounts payable and accrued liabilities (note 4)	93,949	91,691
Deferred research and designated contributions (note 5)	22,195	24,769
Asset retirement obligations (note 6)	330	330
Debt (note 7)	72,676	72,913
Retirement allowance (note 8(a))	26,529	25,405
Deferred capital contributions (note 9)	306,730	316,321
	522,409	531,429
Net debt	$ (418,738)	$ (428,520)
Non-financial assets		
Tangible capital assets (note 10)	$ 385,566	$ 397,116
Inventories held for use (note 11)	16,133	16,289
Prepaid expenses	3,782	2,785
	405,481	416,190
Accumulated deficit		
Accumulated operating deficit	$ (14,352)	$ (14,420)
Accumulated remeasurement gains	1,095	2,090
	$ (13,257)	$ (12,330)

Commitments and contingencies (note 12)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Director and Chair of the Board Director

Director

BRITISH COLUMBIA CANCER AGENCY BRANCH

Consolidated Statement of Operations and Accumulated Operating Deficit
(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

	2016 Budget (note 1(n))	2016	2015
Revenues:			
Provincial Health Services Authority contributions	$ 481,186	$ 470,292	$ 458,241
Medical Services Plan	77,785	82,597	77,259
Research and designated contributions (note 5)	69,083	68,209	64,451
Amortization of deferred capital contributions (note 9)	27,934	29,098	30,862
Other (note 13(a))	5,272	5,802	5,494
Other contributions (note 13(b))	2,276	4,592	3,319
Patients, clients and residents (note 13(c))	3,053	4,568	4,010
Recoveries from other health authorities and BC government reporting entities	507	3,903	2,125
Investment income	27	21	27
	667,123	669,082	645,788
Expenses (note 13(d)):			
Acute	617,580	623,227	599,291
Population health and wellness	49,187	45,433	45,990
Corporate	356	354	343
	667,123	669,014	645,624
Annual operating surplus	$ -	$ 68	$ 164
Accumulated operating deficit, beginning of year	(14,420)	(14,420)	(14,584)
Accumulated operating deficit, end of year	$ (14,420)	$ (14,352)	$ (14,420)

See accompanying notes to consolidated financial statements.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Consolidated Statement of Changes in Net Debt
(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

	2016 Budget (note1(n))	2016	2015
Annual operating surplus	$ -	$ 68	$ 164
Acquisition of tangible capital assets	(15,741)	(19,513)	(25,429)
Transfer of tangible capital assets from other Agencies	-	(105)	-
Amortization of tangible capital assets	30,583	30,823	31,123
Net book value of disposed tangible capital assets	-	345	2,109
	14,842	11,618	7,967
Acquisition of inventories held for use	-	(129,712)	(129,907)
Acquisition of prepaid expenses	-	(9,292)	(9,989)
Consumption of inventories held for use	-	129,868	128,043
Use of prepaid expenses	-	8,295	11,040
	-	(841)	(813)
Net remeasurement (losses) gains	-	(995)	2,090
Decrease in net debt	14,842	9,782	9,244
Net debt, beginning of year	(428,520)	(428,520)	(437,764)
Net debt, end of year	$ (413,678)	$ (418,738)	$ (428,520)

See accompanying notes to consolidated financial statements.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Consolidated Statement of Cash Flows
(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

	2016	2015
Cash flows from (used in) operating activities:		
Annual operating surplus	$ 68	$ 164
Items not involving cash:		
Amortization of deferred capital contributions	(29,098)	(30,862)
Accretion of asset retirement obligations	-	1
Amortization of tangible capital assets	30,823	31,123
Net book value of disposed tangible capital assets	345	2,109
Retirement allowance expense	2,235	2,498
Interest expense	5,735	5,733
Interest income	(21)	(27)
	10,087	10,739
Net change in non-cash operating items (note 14(a))	(2,954)	(3,737)
Interest received	21	27
Interest paid	(5,735)	(5,733)
Net change in cash from operating activities	1,419	1,296
Capital activities:		
Asset retirement costs paid	-	(15)
Acquisition of tangible capital assets (note 14(b))	(19,513)	(25,366)
Net change in cash from capital activities	(19,513)	(25,381)
Financing activities:		
Retirement allowance benefits paid	(1,111)	(1,092)
Repayment of debt	(237)	(143)
Capital contributions	19,402	25,015
Net change in cash from financing activities	18,054	23,780
Decrease in cash and cash equivalents	(40)	(305)
Cash and cash equivalents, beginning of year	1,936	2,241
Cash and cash equivalents, end of year	$ 1,896	$ 1,936

Supplementary cash flow information (note 14)

See accompanying notes to consolidated financial statements.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Consolidated Statement of Remeasurement Gains and Losses
(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

		2016		2015
Accumulated remeasurement gains, beginning of year	$	2,090	$	-
Unrealized (losses) gains attributable to portfolio investments		(737)		2,090
Amounts reclassified to the consolidated statement of operations, portfolio investments		(258)		-
Accumulated remeasurement gains, end of year	$	1,095	$	2,090

See accompanying notes to consolidated financial statements.

The British Columbia Cancer Agency Branch (the "Branch") is a branch society of the Provincial Health Services Authority ("PHSA" or the "Authority"), which was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health (the "Ministry") and is one of six health authorities in British Columbia ("BC"). The Branch is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment, and complete its capital projects. The Branch is a not-for-profit organization under the *Income Tax Act* and, as such, is exempt from income and capital taxes.

The following agencies/programs (collectively referred to as "Agencies") are also included in PHSA:

British Columbia Centre for Disease Control and Prevention Society Branch;

British Columbia Emergency Health Services Corporation;

British Columbia Mental Health Society Branch;

British Columbia Provincial Renal Agency;

British Columbia Transplant Society Branch;

Cardiac Services British Columbia;

Children's & Women's Health Centre of British Columbia Branch;

Forensic Psychiatric Services Commission; and

Health Shared Services BC.

Effective December 31, 2001, the above-noted branch societies except for Health Shared Services BC and British Columbia Emergency Health Services Corporation were amalgamated with, and continue the operations of, their respective former societies under bylaws and constitutions consistent with PHSA. The amalgamated Branch is considered a continuation of the former Branch for financial reporting purposes.

Effective April 1, 2016, the operations of Health Shared Services BC were transferred to BC Clinical and Support Services Society, a separate legal entity independent of PHSA.

The Branch provides a comprehensive cancer control program to all British Columbians, which includes prevention and early detection, treatment, and related education and research. This program is provided through the specialized facilities of the Vancouver Cancer Centre, the Fraser Valley Cancer Centre, the Vancouver Island Cancer Centre, the Cancer Centre for the Southern Interior, and the Cancer Centre for the North, as well as decentralized programs for patient care. The Branch is also responsible for the operating activities of the British Columbia Cancer Research Centre.

1. Significant accounting policies:

(a) Basis of accounting:

The consolidated financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the "framework").

The *Budget Transparency and Accountability Act* requires that the consolidated financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB") without any PS 4200 series.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions, and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

(ii) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contributions has been met by the Branch.

For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which require that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410, *Government Transfers*;

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified, in accordance with PS 3100, *Restricted Assets and Revenues*; and
- deferred contributions meet liability criteria in accordance with PS 3200, *Liabilities*.

As a result, revenue recognized in the consolidated statement of operations and certain deferred capital contributions would be recorded differently under PSAS. The impact of accounting for restricted contributions in accordance with Regulation 198/2011 is disclosed in note 18.

(b) Basis of consolidation:

The Branch and the Fraser Health Authority own Abbotsford Regional Hospital and Cancer Centre Inc. ("ARHCC Inc.") in accordance with the Share Transfer Agreement whereby 102 (85%) common shares of ARHCC Inc. are held by the Fraser Health Authority and 18 (15%) common shares are held by the Branch. The Branch's interest in ARHCC Inc. is recorded on a proportional consolidation basis in these consolidated financial statements.

The Branch has collaborative relationships with certain foundations and auxiliaries, which support the activities of the Branch and/or provide services under contracts. As the Branch does not control these organizations, the consolidated financial statements do not include the assets, liabilities, and results of operations of these entities (see note 15(b)).

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(d) Portfolio investments:

Portfolio investments include shares of publicly traded companies and are recorded at fair value. Any changes in fair value are recognized in the consolidated statement of remeasurement gains and losses.

Write-downs of investments are recognized when the loss in value is determined to be other-than-temporary. Write-downs are not reversed in the future if circumstances change.

(e) Accounts receivable:

Accounts receivable are recorded at amortized cost less an amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value when risk of loss exists. Changes in valuation allowance are recognized in the consolidated statement of operations.

1. Significant accounting policies (continued):

(f) Asset retirement obligations:

The Branch recognizes an asset retirement obligation in the period in which it incurs a legal or constructive obligation associated with the retirement of a tangible capital asset, including leasehold improvements resulting from the acquisition, construction, development, and/or normal use of the asset.

The obligation is measured at the best estimate of the future cash flows required to settle the liability, discounted at estimated credit-adjusted risk-free discount rates. The estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset.

The liability is accreted to reflect the passage of time. At each reporting date, the Branch reviews its asset retirement obligations to reflect current best estimates. Asset retirement obligations are adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or discount rates, with the offsetting amount recorded to the carrying amount of the related asset.

(g) Employee benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability and health and welfare benefits plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. Plan assets are measured at fair value.

The cumulative unrecognized actuarial gains and losses on retirement allowance benefits are amortized over the expected average remaining service period of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 11 years (2015 – 10 years). Actuarial gains and losses on event-driven benefits such as long-term disability and health and welfare benefits that do not vest or accumulate are recognized immediately.

The discount rate used to measure the obligations is based on the Province of BC's cost of borrowing if there are no plan assets. Where there are plan assets, the discount rate is the rate of return on plan assets. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when they become payable.

1. Significant accounting policies (continued):

(g) Employee benefits (continued):

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Branch to pay benefits occurs.

(h) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset and overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Basis
Land improvements	20 years
Buildings	15 – 50 years
Equipment	3 – 20 years
Information systems	3 – 5 years
Leasehold improvements	Lease term to a maximum of 20 years
Vehicles	4 – 7 years

Assets under construction or development are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Branch's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The write-downs of tangible capital assets are recorded in the consolidated statement of operations. Write-downs are not subsequently reversed.

1. Significant accounting policies (continued):

(h) Non-financial assets (continued):

(i) Tangible capital assets (continued):

Contributed tangible capital assets are recorded at their fair value on the date of contribution. Such fair value becomes the cost of the contributed asset. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(ii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Replacement cost is the estimated current price to replace the items.

(iii) Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period during which the service benefits are received.

(i) Revenue recognition:

Under the *Hospital Insurance Act* and *Regulation* thereto, the Branch is funded primarily by the Province of BC in accordance with budget management plans and performance agreements established and approved by the Ministry.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenues related to fees or services received in advance of the fees being earned or the services being performed are deferred and recognized when the fees are earned or services are performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

Volunteers contribute a significant amount of their time each year to assist the Branch in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these consolidated financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided fair value can be reasonably determined.

1. Significant accounting policies (continued):

(i) Revenue recognition (continued):

Contributions for the acquisition of land, or contributions of land, are recorded as revenue in the period of acquisition or transfer of title.

(j) Measurement uncertainty:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the fair value of portfolio investments, the valuation of accounts receivable, the estimated useful lives of tangible capital assets, amounts to settle asset retirement obligations, contingent liabilities, the future costs to settle employee benefit obligations, and certain amounts in public-private partnership projects.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(k) Foreign currency translation:

The Branch's functional currency is the Canadian dollar. Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Any gain and loss resulting from a change in rates between the transaction date and the settlement date or statement of financial position date is recognized in the consolidated statement of operations.

(l) Financial instruments:

Upon inception and subsequent to initial recognition, derivatives and equity instruments quoted in an active market are measured at fair value. These financial instruments are identified in this note by financial asset and financial liability classification and are not reclassified into another measurement category for the duration of the period they are held.

All other financial assets and financial liabilities are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at amortized cost less any amount for valuation allowance. Portfolio investments, other than equity investments quoted in an active market, are reported at cost or amortized cost less any write-downs associated with a loss in value that is other than a temporary decline. All debt and other financial liabilities are recorded using cost or amortized cost.

The classification of financial instruments is determined upon their initial recognition.

1. Significant accounting policies (continued):

(l) Financial instruments (continued):

Financial instruments are classified as level 1, 2 or 3 for the purposes of describing the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category as described below:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
Level 3	Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the consolidated statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the consolidated statement of remeasurement gains and losses and recognized in the consolidated statement of operations.

Interest and dividends attributable to financial instruments are reported in the consolidated statement of operations.

All financial assets except derivatives are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

1. Significant accounting policies (continued):

(l) Financial instruments (continued):

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Branch's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

(m) Capitalization of public-private partnership projects:

Public-private partnership ("P3") projects are delivered by private sector partners selected to design, build, finance, and maintain the assets. The cost of the assets under construction is estimated at fair value, based on construction progress billings verified by an independent certifier, and also includes other costs incurred by the Branch.

The asset cost includes development and financing fees estimated at fair value, which requires the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received and amounts repaid, during the construction term. The interest rate used is the project internal rate of return. When available for operations, the project assets are amortized over their estimated useful lives.

Correspondingly, an obligation for the cost of capital and financing received to date, net of contributions received, is recorded as a liability and included in debt. Upon substantial completion, the private sector partner receives monthly payments over the term of the project agreement to cover the partner's operating costs, financing costs and a return of their capital.

(n) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Branch's Fiscal 2015/2016 Budget approved by the Board of Directors on April 23, 2015. The budget is reflected in the consolidated statement of operations and accumulated operating deficit and the consolidated statement of changes in net debt.

(o) Future accounting standards:

(i) In March 2015, PSAB issued PS 2200, *Related Party Disclosures*. PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the financial statements. PS 2200 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 2200 on the consolidated financial statements of the Branch.

1. Significant accounting policies (continued):

(o) Future accounting standards (continued):

(ii) In March 2015, PSAB issued PS 3420, *Inter-entity Transactions*. PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. The main features of the standard are as follows:

- Under a policy of cost allocation, revenues and expenses are recognized on a gross basis;
- Transactions are measured at the carrying amount, except in specific circumstances;
- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice; and
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.

Requirements of this standard are considered in conjunction with requirements of PS 2200. PS 3420 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3420 on the consolidated financial statements of the Branch.

(iii) In June 2015, PSAB issued PS 3210, *Assets*. PS 3210 provides guidance for applying the definition of assets set out in PS 1000, *Financial Statement Concepts*, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, a disclosure should be provided. PS 3210 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3210 on the consolidated financial statements of the Branch.

(iv) In June 2015, PSAB issued PS 3320, *Contingent Assets*. PS 3320 defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely. PS 3320 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3320 on the consolidated financial statements of the Branch.

1. Significant accounting policies (continued):

(o) Future accounting standards (continued):

(v) In June 2015, PSAB issued PS 3380, *Contractual Rights*. PS 3380 defines and establishes disclosure standards for contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Disclosure of information about contractual rights is required including description of their nature and extent, and the timing. PS 3380 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3380 on the consolidated financial statements of the Branch.

(vi) In June 2015, PSAB issued PS 3430, *Restructuring Transactions*. PS 3430 defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. The main features of PS 3430 are as follows:

- A restructuring transaction is a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and individual liabilities transferred;
- The net effect of a restructuring transaction should be recognized as revenue or as an expense by entities involved;
- A transferor should derecognize individual assets and liabilities transferred in a restructuring transaction at their carrying amount at the restructuring date;
- A recipient should recognize individual assets and liabilities received in a restructuring transaction at their carrying amount with applicable adjustments at the restructuring date;
- A transferor and a recipient should not restate their financial position or results of operations; and
- A transferor and a recipient should disclose sufficient information to enable users to assess the nature and financial effects of a restructuring transaction on their financial position and operations.

PS 3430 applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. The Branch adopted the requirements of PS 3430 earlier, in the fiscal year that began on April 1, 2016.

2. Portfolio investments:

Portfolio investments comprise shares of publicly traded companies and are recorded at fair value. Fair value of portfolio investments is determined with reference to the market price and is in the level 1 fair value measurement category. These shares were received by the Branch at $- cost as consideration in intellectual property licensing transactions.

3. Accounts receivable:

	2016	2015
Provincial Health Services Authority	$ 26,035	$ 38,796
Other grantors	13,958	7,978
Medical Services Plan	11,713	15,943
Foundations and auxiliaries	11,212	3,069
Other health authorities and BC government reporting entities	10,804	9,920
Patients, clients and residents	1,358	966
Federal government	1,109	756
Ministry of Health	215	299
Other	25,734	22,443
	102,138	100,170
Allowance for doubtful accounts	(1,458)	(1,287)
	$ 100,680	$ 98,883

4. Accounts payable and accrued liabilities:

	2016	2015
Trade accounts payable and accrued liabilities	$ 52,541	$ 54,157
Salaries and benefits payable	23,522	20,875
Accrued vacation pay	14,079	12,888
Long-term accounts payable	3,807	3,771
	$ 93,949	$ 91,691

Long-term accounts payable are long-term payment obligations in relation to the construction of Abbotsford Regional Hospital and Cancer Centre.

5. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund research and other activities. Contributions are received from Canadian Institute of Health Research, Canadian Cancer Society Research Institute, Genome Canada, Terry Fox Research Institute, National Institutes of Health, foundations, pharmaceutical companies and other donors, for various research projects in the fields of diagnostics, treatment and prevention, clinical trials, health promotion, and other special purpose initiatives.

5. Deferred research and designated contributions (continued):

Government transfers	2016	2015
Deferred research and designated contributions, beginning of year	$ 824	$ 998
Contributions received during the year	10,452	13,341
Amounts transferred to deferred capital contributions (note 9)	(268)	-
Amounts recognized as revenue in the year	(12,748)	(15,962)
Amounts to be received in future periods	2,290	2,447
Deferred research and designated contributions, end of year	$ 550	$ 824

Other contributions	2016	2015
Deferred research and designated contributions, beginning of year	$ 23,945	$ 28,517
Contributions received during the year	45,462	36,899
Amounts transferred to deferred capital contributions (note 9)	(2,589)	(2,937)
Amounts recognized as revenue in the year	(55,461)	(48,489)
Amounts to be received in future periods	10,288	9,955
Deferred research and designated contributions, end of year	$ 21,645	$ 23,945

	2016	2015
Government transfers	$ 550	$ 824
Other contributions	21,645	23,945
Balance, end of year	$ 22,195	$ 24,769

6. Asset retirement obligations:

		2016		2015
Asset retirement obligations, beginning of year	$	330	$	344
Incurred costs		-		(15)
Accretion		-		1
Asset retirement obligations, end of year	$	330	$	330

The Branch has accrued asset retirement obligations representing the estimated cost to settle obligations related to leased premises and land at future dates. The settlement of these obligations will occur at the expiry of the leases, or as land reclamation activities occur.

The value of the obligations is management's best estimate of the obligations, determined by discounting the estimated cash outflows of $298 (2015 – $298) over the term to expected settlement, at a credit-adjusted risk-free rate of 0.65% (2015 – 0.56%). Estimated future cash flows are adjusted for an inflation factor of 2.00% (2015 – 2.00%).

The asset retirement obligations have been capitalized as part of related tangible capital assets. The asset retirement obligations capitalized in respect of leasehold improvements are amortized over the term until settlements are completed. The asset retirement obligations capitalized in respect of land are not amortized.

7. Debt:

		2016		2015
P3:				
Abbotsford Regional Hospital and Cancer Centre, 30 year contract to May 2038 with Access Health Abbotsford Ltd., payable in accordance with the project agreement terms including annual interest of 7.75%	$	56,400	$	56,559
BC Cancer Agency Centre for the North, 30 year contract to September 2042 with Plenary Health Prince George GP, payable in monthly payments of $117 including annual interest of 8.09% in accordance with the project agreement terms		16,276		16,354
	$	72,676	$	72,913

Required principal repayments on P3 debt for the years ending March 31 are disclosed in note 12(d).

8. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective or employee agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Branch's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2015 and extrapolated to March 31, 2016 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2016 are derived. The next expected valuation will be as of December 31, 2018.

Information about retirement allowance benefits is as follows:

	2016	2015
Accrued benefit obligation:		
Severance benefits	$ 20,337	$ 16,822
Sick leave benefits	6,218	5,554
	26,555	22,376
Unamortized actuarial (loss) gain	(26)	3,029
Accrued benefit liability	$ 26,529	$ 25,405

The accrued benefit liability for retirement allowance reported on the consolidated statement of financial position is as follows:

	2016	2015
Accrued benefit liability, beginning of year	$ 25,405	$ 23,999
Net benefit expense:		
Current service cost	1,674	1,749
Interest expense	918	975
Amortization of actuarial gain	(357)	(226)
Net benefit expense	2,235	2,498
Benefits paid	(1,111)	(1,092)
Accrued benefit liability, end of year	$ 26,529	$ 25,405

8. Employee benefits (continued):

(a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring the Branch's accrued retirement benefit obligation are as follows:

	2016	2015
Accrued benefit obligation as at March 31:		
Discount rate	3.93%	3.98%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.98%	4.26%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

(b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability benefits and group life insurance, accidental death and dismemberment, extended health and dental claims ("health and welfare benefits") for certain employee groups of the Branch and other provincially funded organizations.

(i) Long-term disability and health and welfare benefits:

The Trust is a multiple employer plan with respect to long-term disability benefits initiated after September 30, 1997 and health and welfare benefits after December 31, 2014. The assets and liabilities for these long-term disability and health and welfare benefits have been segregated for PHSA, but not for individual branches of PHSA. Accordingly, the Branch participates in a multi-employer defined benefit plan for long-term disability and health and welfare benefits that is now restricted to members of PHSA.

The most recent actuarial valuation for the PHSA plan at December 31, 2015 extrapolated to March 31, 2016 indicated a deficit of $1,978 (2015 – surplus of $9,860). Contributions of $8,070 (2015 – $3,592) were expensed during the year. The PHSA plan covers approximately 10,300 active employees, of which approximately 1,800 are employees of the Branch (2015 – 1,700). The next expected valuation will be as of December 31, 2016.

8. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(ii) Other Trust benefits:

The group life insurance, accidental death and dismemberment, extended health, dental, and pre-October 1, 1997 long-term disability claims administered by the Trust were structured as a multi-employer plan prior to December 31, 2014. Contributions to this pool for the nine month period ended December 31, 2014 of $4,122 were expensed during the year ended March 31, 2015. From January 1, 2015, the Branch no longer participates in this pool. Starting January 1, 2015, the contributions are made to and benefits are provided through the long-term disability and health and welfare benefit plan.

(iii) Joint benefit trusts:

The 2014-2019 Health Science Professionals Bargaining Association, Community Bargaining Association and Facilities Bargaining Association collective agreements include provisions to establish joint benefit trusts to provide long-term disability and health and welfare benefits to the employees covered by these agreements. During the 2016/17 fiscal year, management of the long-term disability and health and welfare benefits being provided to these employee groups through the Trust will transition to the joint benefit trusts.

(c) Employee pension benefits:

The Branch and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of $16,532 (2015 – $15,614) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2012 indicated an unfunded liability of approximately $1,370,000. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 184,000 active members, of which approximately 2,300 are employees of the Branch (2015 – 2,200). The actuarial valuation date was as of December 31, 2015, with results available in fall 2016. The next expected valuation will be as of December 31, 2018.

9. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of tangible capital assets.

	2016	2015
Deferred capital contributions, beginning of year	$ 316,321	$ 322,105
Capital contributions received:		
Provincial Health Services Authority	14,237	14,291
Foundations and auxiliaries	4,192	5,930
Other	973	4,857
	19,402	25,078
Transfer of tangible capital assets from other Agencies	105	-
Amortization for the year	(29,098)	(30,862)
Deferred capital contributions, end of year	$ 306,730	$ 316,321

Deferred capital contributions comprise the following:

	2016	2015
Contributions used to purchase tangible capital assets	$ 305,840	$ 315,376
Unspent contributions	890	945
	$ 306,730	$ 316,321

10. Tangible capital assets:

Cost	2015	Additions	Disposals	Transfers	2016
Land	$ 35,843	$ -	$ -	$ -	$ 35,843
Land improvements	310	-	-	-	310
Buildings	391,854	57	-	3,111	395,022
Equipment	232,328	3,924	(13,280)	3,811	226,783
Information systems	18,264	2,319	(90)	937	21,430
Leasehold improvements	3,367	-	-	-	3,367
Vehicles	877	1,163	-	-	2,040
Construction in progress	6,683	11,624	-	(3,700)	14,607
Equipment and information systems in progress	2,563	426	-	(899)	2,090
Total	$ 692,089	$ 19,513	$ (13,370)	$ 3,260	$ 701,492

10. Tangible capital assets (continued):

Accumulated amortization	2015	Amortization	Disposals	Transfers	2016
Land improvements	$ 75	$ 16	$ -	$ -	$ 91
Buildings	108,162	10,228	-	-	118,390
Equipment	171,646	17,424	(12,935)	2,903	179,038
Information systems	11,705	2,944	(90)	252	14,811
Leasehold improvements	3,003	29	-	-	3,032
Vehicles	382	182	-	-	564
Total	$ 294,973	$ 30,823	$ (13,025)	$ 3,155	$ 315,926

Cost	2014	Additions	Disposals	Transfers	2015
Land	$ 35,843	$ -	$ -	$ -	$ 35,843
Land improvements	256	54	-	-	310
Buildings	391,063	-	-	791	391,854
Equipment	223,018	11,471	(11,320)	9,159	232,328
Information systems	17,630	3,132	(1,522)	(976)	18,264
Leasehold improvements	3,009	-	-	358	3,367
Vehicles	372	505	-	-	877
Construction in progress	8,142	7,866	-	(9,325)	6,683
Equipment and information systems in progress	169	2,401	-	(7)	2,563
Total	$ 679,502	$ 25,429	$ (12,842)	$ -	$ 692,089

Accumulated amortization	2014	Amortization	Disposals	Transfers	2015
Land improvements	$ 61	$ 14	$ -	$ -	$ 75
Buildings	98,052	10,174	-	(64)	108,162
Equipment	162,156	18,588	(9,848)	750	171,646
Information systems	11,041	2,299	(885)	(750)	11,705
Leasehold improvements	2,901	38	-	64	3,003
Vehicles	372	10	-	-	382
Total	$ 274,583	$ 31,123	$ (10,733)	$ -	$ 294,973

10. Tangible capital assets (continued):

Net book value	2016	2015
Land	$ 35,843	$ 35,843
Land improvements	219	235
Buildings	276,632	283,692
Equipment	47,745	60,682
Information systems	6,619	6,559
Leasehold improvements	335	364
Vehicles	1,476	495
Construction in progress	14,607	6,683
Equipment and information systems in progress	2,090	2,563
Total	$ 385,566	$ 397,116

Tangible capital assets are funded as follows:

	2016	2015
Deferred capital contributions	$ 305,840	$ 315,376
Debt	76,483	76,684
Internally funded	3,243	5,056
Tangible capital assets	$ 385,566	$ 397,116

11. Inventories held for use:

	2016	2015
Pharmaceuticals	$ 14,854	$ 14,161
Medical supplies	1,279	2,128
	$ 16,133	$ 16,289

12. Commitments and contingencies:

(a) Construction, equipment and information systems in progress:

As at March 31, 2016, the Branch had outstanding commitments for construction and equipment in progress of $21,437 (2015 – $-).

12. Commitments and contingencies (continued):

(b) Contractual obligations:

The Branch has entered into various contracts for services within the normal course of operations. The estimated contractual obligations under these contracts for the years ending March 31 are as follows:

	Contract	2017	2018
Physician services	2015-2017	$ 2,305	$ -
Housekeeping	2017-2020	552	-
Other	2014-2020	3,110	2,998
		$ 5,967	$ 2,998

(c) Operating leases:

The aggregate minimum future annual rentals under operating leases for the years ending March 31 are as follows:

2017	$ 1,089
2018	1,011
2019	945
2020	858
2021	768
Thereafter	222
	$ 4,893

(d) Public-private partnerships commitments:

ARHCC Inc. entered into a multi-year P3 contract with the private sector partner Access Health Abbotsford Ltd. ("AHA"). Under the agreement, AHA designed, constructed, financed and will maintain the Abbotsford Regional Hospital and Cancer Centre facilities until the end of the term of the agreement in May 2038. Payment guarantees have been provided by the Province of BC for the payment obligations to AHA.

The Branch entered into a multi-year P3 contract with the private sector partner Plenary Health Prince George GP ("Plenary Health") to build the BC Cancer Agency Centre for the North in Prince George, BC. Under the agreement, Plenary Health designed, constructed, partially financed and will maintain the facilities until the end of the term of the agreement in September 2042. Payment guarantees have been provided by the Province of BC for the payment obligations to Plenary Health.

12. Commitments and contingencies (continued):

(d) Public-private partnerships commitments (continued):

The information presented below shows the anticipated cash outflow for future obligations under these contracts for the capital cost and financing of the asset, the facility maintenance ("FM") and the lifecycle costs. The asset values are recorded as tangible capital assets and the corresponding liabilities are recorded as debt and disclosed in note 7. FM and lifecycle payments to the private partners are contingent on specified performance criteria and include an estimation of inflation, where applicable.

	Capital and financing	FM and lifecycle	Total payments
2017	$ 6,346	$ 3,194	$ 9,540
2018	6,416	2,869	9,285
2019	6,509	3,124	9,633
2020	6,601	2,997	9,598
2021	6,695	3,398	10,093
Thereafter	143,078	85,339	228,417
	$ 175,645	$ 100,921	$ 276,566

Required principal repayments on P3 debt for the years ending March 31 included in capital and financing commitments above are as follows:

2017	$ 349
2018	469
2019	601
2020	739
2021	899
Thereafter	69,619
	$ 72,676

(e) Litigation and claims:

Risk management and insurance services for all health authorities in BC are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

The nature of the Branch's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2016, management is of the opinion that the Branch has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Branch's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

13. Statement of operations:

(a) Other revenues:

	2016	2015
Recoveries from sales of goods and services	$ 3,932	$ 3,828
Parking	1,316	1,184
Drug sales	245	317
Other	309	165
	$ 5,802	$ 5,494

(b) Other contributions:

	2016	2015
Foundations and auxiliaries	$ 3,855	$ 2,614
Other ministries	3	3
Other	734	702
	$ 4,592	$ 3,319

(c) Patients, clients and residents:

	2016	2015
Non-residents of BC	$ 2,833	$ 2,932
Workers' Compensation Board	1,023	355
Non-residents of Canada	467	486
Federal government	187	122
Residents of BC self pay	58	115
	$ 4,568	$ 4,010

13. Statement of operations (continued):

(d) The following is a summary of expenses by object:

	2016	2015
Compensation:		
Compensation	$ 208,586	$ 197,897
Employee benefits	33,154	32,038
	241,740	229,935
Referred-out and contracted services:		
Other health authorities and BC government reporting entities	144,205	134,763
Health and support services providers	16,457	19,262
	160,662	154,025
Supplies:		
Drugs and medical gases	124,085	122,808
Diagnostic	6,641	5,843
Medical and surgical	3,759	3,607
Printing, stationery and office	968	949
Laundry and linen	251	210
Food and dietary	143	124
Housekeeping	112	121
Other	2,527	1,716
	138,486	135,378
Research and designated expenses	68,209	64,390
Amortization of tangible capital assets	30,823	31,123
Equipment and building services:		
Equipment	8,001	7,310
Rent	3,847	3,900
Plant operations (utilities)	3,329	3,370
Building and grounds service contracts	1,043	939
	16,220	15,519
Sundry:		
Travel	2,025	1,693
Communication and data processing	565	285
Professional fees	386	897
Patient transport	2	2
Other	3,816	4,534
	6,794	7,411
Interest on debt	5,735	5,733
Net book value of disposed tangible capital assets	345	2,109
Accretion of asset retirement obligations	-	1
	$ 669,014	$ 645,624

14. Supplementary cash flow information:

(a) Net change in non-cash operating items:

	2016	2015
Accounts receivable	$ (1,797)	$ (12,970)
Accounts payable and accrued liabilities	2,258	14,792
Deferred research and designated contributions	(2,574)	(4,746)
Inventories held for use	156	(1,864)
Prepaid expenses	(997)	1,051
	$ (2,954)	$ (3,737)

(b) Acquisition of tangible capital assets:

Assets purchased or acquired through debt or other non-cash transactions are excluded from acquisition of tangible capital assets on the consolidated statement of cash flows.

	2016	2015
Contributed tangible capital assets	$ -	$ 63
Transfer of tangible capital assets from other Agencies	105	-
	$ 105	$ 63

15. Related entities:

(a) BC government reporting entities:

The Branch is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

15. Related entities (continued):

(a) BC government reporting entities (continued):

The financial statements include transactions and balances with these parties in the following amounts:

	2016	2015
Revenues:		
Medical Services Plan	$ 82,597	$ 77,259
Research and designated contributions	12,748	15,962
Recoveries from other health authorities and BC government reporting entities	3,903	2,125
Patients, clients and residents	2,833	2,932
Other contributions	3	3
	$ 102,084	$ 98,281
Expenses:		
Referred-out and contracted services	$ 144,205	$ 134,763
Research and designated expenses	3,403	3,319
Compensation and benefits	3,147	2,110
Supplies	2,871	5,173
Sundry	2,652	375
Equipment and building services	-	9,033
	$ 156,278	$ 154,773
Accounts receivable:		
Medical Services Plan	$ 11,713	$ 15,943
Other health authorities and BC government reporting entities	10,804	9,920
Ministry of Health	215	299
	$ 22,732	$ 26,162
Accounts payable and accrued liabilities	$ 28,494	$ 30,839
Deferred research and designated contributions	550	825
	$ 29,044	$ 31,664

15. Related entities (continued):

(b) Foundations and auxiliaries:

The Branch has economic relationships with the BC Cancer Foundation (the "Foundation") which is responsible for fundraising activities of the Branch, the British Columbia Cancer Research Centre facility (the "Research Centre"), and the Genome Sciences Centre. The Foundation is a separate legal entity incorporated under the *Society Act of British Columbia* with separate governance structures and is a registered charity under the provisions of the *Income Tax Act* of Canada.

The financial and non-financial assets and liabilities and results from operations of the Foundation are not included in the consolidated financial statements of the Branch.

During the year, the Branch received the following contributions from the Foundation:

	2016	2015
Operations, net	$ 2,636	$ 4,358
Research	8,963	3,996
Other designated purposes	29	8,938
Capital	4,192	3,033
	$ 15,820	$ 20,325

(c) Related party transactions with PHSA and members:

Certain administrative, finance and accounting, and human resource services are provided to the Branch by PHSA without charge. The costs of these services have not been recorded in the consolidated financial statements of the Branch.

During the year, the Branch was involved in the following related party transactions with other PHSA members:

For the year ended March 31, 2016, expenses include $6,334 (2015 – $6,628) resulting from transactions with other PHSA members.

The above amounts exclude transactions with PHSA which are disclosed elsewhere in these consolidated financial statements.

16. Risk management:

The Branch is exposed to credit risk, liquidity risk and foreign exchange risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from the Branch's financial instruments is provided below by type of risk.

16. Risk management (continued):

(a) Credit risk:

Credit risk primarily arises from the Branch's cash and cash equivalents and accounts receivable. The risk exposure is limited to their carrying amounts at the date of the statement of financial position.

The Branch manages credit risk by holding balances of cash and cash equivalents with a reputable top rated financial institution. The Branch periodically reviews its investments and is satisfied with the credit ratings of the financial institution.

Accounts receivable primarily consist of amounts receivable from the Ministry, PHSA, other health authorities and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors, etc. To reduce the risk, the Branch periodically reviews the collectibility of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. As at March 31, 2016, the amount of allowance for doubtful accounts was $1,458 (2015 – $1,287).

The Branch is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, PHSA, other health authorities and BC government reporting entities. At March 31, the following accounts receivable were past due but not impaired:

	2016	2015
30 days	$ 513	$ 240
60 days	195	404
90 days	-	7
Over 120 days	124	247

(b) Liquidity risk:

Liquidity risk is the risk that the Branch will not be able to meet its financial obligations as they become due. It is the Branch's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand and future funding from the Ministry.

The Branch's principal source of funding is from the Ministry. The Branch is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter or grant documentation. The Branch has complied with the external restrictions on the funding provided.

16. Risk management (continued):

(b) Liquidity risk (continued):

The tables below show when various financial assets and liabilities mature:

2016 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 1,896	$ -	$ -	$ 1,896
Portfolio investments	1,095	-	-	1,095
Accounts receivable	95,538	-	-	95,538
Total financial assets	$ 98,529	$ -	$ -	$ 98,529

2016 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 85,018	$ 155	$ 3,634	$ 88,807
Debt	349	2,708	69,619	72,676
Total financial liabilities	$ 85,367	$ 2,863	$ 73,253	$ 161,483

2015 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 1,936	$ -	$ -	$ 1,936
Portfolio investments	2,090	-	-	2,090
Accounts receivable	98,819	64	-	98,883
Total financial assets	$ 102,845	$ 64	$ -	$ 102,909

2015 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 87,932	$ 117	$ 3,642	$ 91,691
Debt	236	2,165	70,512	72,913
Total financial liabilities	$ 88,168	$ 2,282	$ 74,154	$ 164,604

Debt pertaining to P3 projects is funded through the ongoing annual operating grants received from the Ministry.

16. Risk management (continued):

(c) Foreign exchange risk:

The Branch's operating results and financial position are reported in Canadian dollars. As the Branch operates in an international environment, some of the Branch's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Branch's operations are subject to currency transaction and translation risks.

The Branch makes and receives payments denominated in US dollars and other currencies. The currency most contributing to the foreign exchange risk is the US dollar.

Comparative foreign exchange rates as at March 31 are as follows:

	2016	2015
US dollar per Canadian dollar	$ 0.770	$ 0.790

The Branch has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant. The foreign currency financial instruments are short term in nature and do not give rise to significant foreign currency risk.

The carrying amounts of the Branch's foreign currency denominated financial liabilities and financial assets as at March 31 are as follows:

Financial assets	2016 US dollar	2015 US dollar
Cash and cash equivalents	$ -	$ 1
Accounts receivable	3,797	3,298
Total financial assets	$ 3,797	$ 3,299

Financial liabilities	2016 US dollar	2015 US dollar
Accounts payable and accrued liabilities	$ 1,009	$ 1,692
Deferred research and designated contributions	4,154	2,880
Total financial liabilities	$ 5,163	$ 4,572

17. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

18. Impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011:

As disclosed in the significant accounting policies note 1(a), Regulation 198/2011 requires the Branch to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related tangible capital asset, PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or development and construction of a tangible capital asset is complete.

The impact of the departure from PSAS on the consolidated financial statements of the Branch is as follows:

As at March 31, 2014	
Decrease in accumulated operating deficit	$ 320,986
Decrease in deferred capital contributions	(320,986)
For the year ended March 31, 2015	
Decrease in annual operating surplus	(5,610)
As at March 31, 2015	
Decrease in accumulated operating deficit	315,376
Decrease in deferred capital contributions	(315,376)
For the year ended March 31, 2016	
Decrease in annual operating surplus	(9,536)
As at March 31, 2016	
Decrease in accumulated operating deficit	305,840
Decrease in deferred capital contributions	(305,840)